

Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 SSO-00 NSCE-00 USIE-00 INRE-00

AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15

STR-08 OMB-01 CEA-02 L-03 ABF-01 PA-03 PRS-01 CIAE-00

INR-10 NSAE-00 COME-00 FRB-02 XMB-07 EURE-00 DODE-00

RSR-01 /137 W

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O R 131432Z JUL 73

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC IMMEDIATE 6733

INFO AMCONSUL ZAGREB

AMEMBASSY PARIS

USMISSION NATO

USMISSION EC BRUSSELS

USMISSION OECD PARIS UNN

USMISSION GENEVA

LIMITED OFFICIAL USE BELGRADE 3167

E.O. 11652: N/A

TAGS: EFIN, YO

SUBJECT: YUGOSLAVIA MOVES TO "FLOATING EXCHANGE RATES: DINAR
EFFECTIVELY REVALUED AGAINST DOLLAR

REF: BELGRADE 3117 (NOTAL)

1. FINANCE SECRETARY SMOLE ANNOUNCED JULY 12 THAT FEDERAL
EXECUTIVE COUNCIL HAS DECIDED TPTT YUGOSLAVIA WILL GIVE UP
FIXED EXCHANGE RATE SYSTEM AND ADLOPT "FLOATING RATES". FOREIGN
EXCHANGE MARKET REOPENED JULY 12 AFTER TWO-WEEK SHUTDOWN AND
U.S. DOLLAR MOVED TO SLIGHTLY BELOW \$1 EQUALS 16 ND FROM PREVIOUS
\$1 EQUALS 16.62 ND RATE.

2. FINANCE SECRETARIAT AND NATIONAL BANK ASSURED EMBOFFS THAT
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DINAR/GOLD PARITY REMAINS UNCHANGED. NATIONAL BANK TOLD US

THAT IMF INFORMED JULY 12 THAT PREVIOUS 2.25 PERCENT INTERVENTION POINTS EITHER SIDE OF DINAR PARITY WILL NO LONGER BE OBSERVED.

3. ACCORDING BOTH FINANCE SECRETARIAT AND NATIONAL BANK, SWITCH TO "FLOAT" WAS NECESSARY IN ORDER TO REFLECT THE CHANGES IN INTERNATIONAL MONEY MARKETS AND PARTICULARLY RELATIONSHIP BETWEEN DOLLAR AND MARK. BOTH FINANCE SECRETARIAT AND NATIONAL BANK WERE VAGUE ON INTERVENTION POLICY. NATIONAL BANK (JEFTOVIC) SAID IT WOULD BE FLEXIBLE.

4. NATIONAL BANK ALSO TOLD EMBOFF THAT GOY DID NOT PERMIT DINAR TO DEVALUE FULL 5.5 PERCENT AGAINST GERMAN MARK, BUT ONLY 3.7 PERCENT. REVALUTATION OF DINAR AGAINST DOLLAR WAS 3.37 PERCENT. HIS EXPLANATION FOR THIS WAS THAT GOY DID NOT WANT TO BE "OVERLY TIED OR OVERLY RELIANT ON GERMAN MARK." QUERIED ABOUT PERFORMANCE OTHER CURRENCIES, JEFTOVIC SAID THAT POUND STERLING AND LIRE FELL BECAUSE THEY ARE WEAKEST EUROPEAN CURRENCIES. AS FOR SWISS FRANC, JEFTOVIC ASSERTED THAT ITS DECLINE VIS-A-VIS DINAR WAS DUE TO NATIONAL BANK INTERVENTION TO KEEP SWISS FRANC/GERMAN MARK CROSS-RATES WITHIN LIMITS.

5. JEFTOVIC FORESEES FURTHER READJUSTMENTS IN COMING DAYS. NATIONAL BANK IS CONVINCED DOLLAR RATE IN YUGOSLAV MARKET STILL ABOVE PREVAILING RATES IN EUROPEAN MARKETS.

6. NEW EXCHANGE RATES EFFECTIVE JULY 13 FOLLOW:

COUNTRY	CURRENCY	UNIT	BUYING RATE	SELLING RATE
USA	DOLLAR	1	15.9281	15.9759
AUSTRIA	SCHILLING	100	80.3300	80.5714
BELGIUM	FRANC	100	39.1504	39.2680
DENMARK	KRONE	100	254.6175	255.3825
UK	POUND	1	36.21480	36.3236
FRANCE	FRANC	100	343.9946	345.0282
NETHERLANDS	FLORIN	100	537.7883	539.4041
ITALY	LIRE	100	2.4227	2.4300
CANADA	DOLLAR	1	15.9061	15.9539
FRG	MARK	100	593.1189	594.9009
NORWAY	KRONE	100	265.5083	266.3060

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SWITZERLAND	FRANC	100	495.0896	496.5770
SPAIN	PESETA	100	24.5393	24.6131
SWEDEN	KRONE	100	346.5026	347.5436
JAPAN	YEN	100	5.3877	5.4039
IRAQ	DINAR	1	40.00	42.00
AUSTRALIA	DOLLAR	1	18.80	19.50
GREECE	DRACHMA	100	55.50	56.50
ISRAEL	POUND	1	3.50	4.00

NEW ZEALAND DOLLAR 1 17.00 18.00
FINLAND MARK 100 430.00 432.00.
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